

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08
FRB-03 INR-07 NSAE-00 SP-02 STR-05 TRSE-00 LAB-04
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R 231356Z DEC 77
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 3976
INFO ALL EC CAPITALS

LIMITED OFFICIAL USE SECTION 01 OF 02 BRUSSELS 19249

USEEC

PARIS ALSO FOR USOECD

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TAGS: EFIN, EEC
SUBJECT: EC FINANCE COUNCIL OF DECEMBER 19

REFS: (A) BRUSSELS 17971, (B) BRUSSELS 17122,
(C) BRUSSELS 16968, (D) BRUSSELS 18148,
(E) BRUSSELS 16921, (F) BRUSSELS 18327.

1. SUMMARY: THE DECEMBER 19 MEETING OF THE EC FINANCE
COUNCIL FARMED OUT TO SPECIALIZED COMMITTEES THE
COMMISSION PROPOSALS IN THE AREA OF ECONOMIC AND MONETARY
UNION AND COORDINATION OF SHORT-TERM POLICIES, AND
REQUESTED A SPECIFIC COMMISSION PROPOSAL ON THE ESTABLISH-
MENT OF THE NEW "ORTOLI INSTRUMENT." A DECISION (SUBJECT
TO ONE RESERVE) WAS TAKEN TO EXPAND THE MEDIUM-TERM
FINANCIAL ASSISTANCE FACILITY. THE COUNCIL CLEARED THE
WAY FOR DEROGATIONS TO BE GRANTED THE THREE NEW MEMBER
STATES ON LIBERALIZATION OF CAPITAL CONTROLS. FORMAL
DECISIONS WERE ALSO TAKEN, INTER ALIA, TO ADOPT REGULATIONS
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ON VAT HARMONIZATION, OWN RESOURCES, A DIRECTIVE ON
HARMONIZATION OF TOBACCO EXCISE DUTIES. NO DISCUSSION OF
THE DOLLAR SITUATION TOOK PLACE. SOME DISCUSSION OF
EUROPEAN CANDIDATES FOR THE JOB OF IMF MANAGING DIRECTOR
TOOK PLACE AT THE RESTRICTED LUNCH. END SUMMARY

2. THE EC FINANCE COUNCIL, MEETING IN BRUSSELS DECEMBER

19, TOOK UP THE FOLLOWING MATTERS:

COMMISSION COMMUNICATIONS ON ECONOMIC AND MONETARY UNION (EMU) AND SHORT-TERM POLICY COORDINATION.

3. FOLLOWING UP THE EUROPEAN COUNCIL'S REQUEST (REF A) THAT THE FINANCE COUNCIL GIVE DETAILED CONSIDERATION TO THE BROAD RANGE OF PROPOSALS PRESENTED IN THE COMMISSION'S COMMUNICATION ON EMU (REF B), THE COUNCIL ASKED THE VARIOUS SPECIALIZED ECONOMIC AND FINANCIAL COMMITTEES (THE MONETARY COMMITTEE, THE COMMITTEE OF CENTRAL BANK GOVERNORS AND THE ECONOMIC POLICY COMMITTEE) TO EXAMINE THE PROPOSALS IN THEIR VARIOUS AREAS OF COMPETENCE UNDER THE OVERALL COORDINATION OF COREPER. SIMILAR DISPOSITION WAS MADE OF THE COMMISSION'S PROPOSALS ON INCREASED CONVERGENCE OF SHORT-TERM POLICIES (REF C). ON THE BASIS OF THE REPORTS PROVIDED BY THESE COMMITTEES AND VARIOUS WORKING PARTIES TO BE ESTABLISHED, THE COUNCIL SAID IT WOULD CONSIDER THESE PROBLEMS AT A FORTHCOMING MEETING. (ACCORDING TO OUR SOURCES, THERE WAS NO SUBSTANTIVE DISCUSSION OF THE PROPOSALS AT THIS MEETING.)

"ORTOLI INSTRUMENT"

4. THE FINANCE COUNCIL ASKED THE COMMISSION TO SUBMIT A DETAILED PROPOSAL ON THE ESTABLISHMENT OF A NEW LIMITED OFFICIAL USE

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INSTRUMENT FOR COMMUNITY BORROWING AND LENDING. THE PROPOSAL WILL FOLLOW THE LINES OF THE COMPROMISE ADOPTED AT THE EUROPEAN COUNCIL (REF D).

MEDIUM TERM FINANCIAL ASSISTANCE

5. THE COUNCIL ADOPTED, SUBJECT TO A PROVISIONAL RESERVATION BY THE UK, A DECISION TO EXPAND THE COMMUNITY'S MEDIUM-TERM FINANCIAL ASSISTANCE FACILITY ALONG THE LINES AGREED TO BY THE MONETARY COMMITTEE (REF E). THE TOTAL OF COMMITMENT CEILINGS WILL BE DOUBLED, BUT WITH NO SINGLE MEMBER STATE PERMITTED TO OBTAIN MORE THAN 50 PERCENT OF THE TOTAL SUM. (IN EFFECT THIS MEANS THAT WHILE THE TOTAL RESOURCES OF THE FACILITY HAVE BEEN DOUBLED, THE AMOUNTS AVAILABLE TO INDIVIDUAL MEMBER STATES ARE NOT INCREASED.) WHEN THE DECISION BECOMES EFFECTIVE, TOTAL COMMITMENT CEILINGS WILL AMOUNT TO 5,450 MILLION EUROPEAN UNITS OF ACCOUNT (1 EUA CURRENTLY EQUALS ABOUT \$1.22), WITH GERMANY, FRANCE, AND THE UK EACH HAVING 1,200 MEUA, ITALY 800, NETHERLANDS AND BELGIUM-LUX 400 EACH; DENMARK 180; AND IRELAND 70.

EXCISE DUTIES ON MANUFACTURED TOBACCO

6. THE COUNCIL ADOPTED THE OFFICIAL VERSION OF THE
DIRECTIVE ON HARMONIZATION OF TOBACCO EXCISE DUTIES
(REPORTED SEPTEL).

DEROGATIONS ON CAPITAL CONTROL MEASURES

7. ALTHOUGH NOT ON PUBLIC AGENDA, THE COUNCIL CLEARED
THE WAY FOR A COMMISSION DECISION TO GRANT DEROGATIONS
TO THE THREE NEW MEMBER STATES ON OBLIGATIONS TO

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USEEC

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LIBERALIZE CAPITAL CONTROLS (SEPTEL).

MISCELLANEOUS FORMAL ACTIONS

8. THE COUNCIL ADOPTED OFFICIAL VERSION OF THREE
DECISIONS AGREED TO IN PRINCIPLE AT NOVEMBER 21 MEETING:
TWO TECHNICAL REGULATIONS IMPLEMENTING THE SIXTH VAT
DIRECTIVE AND OWN RESOURCES, AND THE DIRECTIVE ON
MUTUAL ASSISTANCE IN THE FIELD OF DIRECT TAXATION. (REF C)
ALSO, THE COUNCIL ADOPTED THE OFFICIAL VERSION OF A
DIRECTIVE GRANTING DENMARK A DEROGATION FROM THE
APPLICATION OF HARMONIZED RULES ON EXEMPTION FROM
TURNOVER TAX AND EXCISE DUTY ON IMPORTS IN INTERNATIONAL
TRAVEL, THEREBY PERMITTING DENMARK TO RESTRICT DUTY-FREE

ENTRY OF TOBACCO AND ALCOHOLIC BEVERAGES.

BUDGETARY ASPECTS OF AGRICULTURAL PRICE PROPOSALS

9. COMMISSIONER TUGENDHAT GAVE A STATEMENT TO THE
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COUNCIL BASED ON THE COMMISSION PAPER DETAILING THE
BUDGETARY IMPLICATIONS OF THE COMMISSION'S AGRICULTURAL
PRICE PROPOSALS (REF F).

DOLLAR AND IMF

10. ACCORDING TO COUNCIL PRESIDENT GEENS, THE SITUATION
OF THE U.S. DOLLAR WAS NOT DISCUSSED DURING THE COUNCIL,
NOR AT THE RESTRICTED LUNCHEON. HOWEVER, THE PROBLEM
OF CHOSING A SUCCESSOR TO IMF MANAGING DIRECTOR
WITTEVEEN WAS REPORTEDLY DISCUSSED AT LUNCH.
NO DECISION WAS TAKEN TO SUPPORT ONE OF THE OTHER OF
THE TWO EUROPEAN CANDIDATES ANNOUNCED TO IMF, DE LA
ROSIERE AND DUISENBERG. (APPARENTLY MR. DE CLERQ'S
CANDIDACY HASFALLEN BY THE WAYSIDE). ACCORDING TO OUR
INFORMATION DE LA ROSIERE HAS THE SUPPORT OF A LARGE
MAJORITY OF MEMBER STATES.

11. NEXT FINANCE COUNCIL SCHEDULED FEBRUARY 20.
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